

**FOREIGN CURRENCY
EXPOSURE**

AUSTRALIA

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For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Athol Maritz on Canberra (02) 6252 7107.

INTRODUCTION

This publication presents results in respect of 31 March 2009, from an Australian Bureau of Statistics (ABS) survey of Australian resident enterprises with exposure to foreign currency. The survey sought to cover all enterprises with significant foreign currency denominated balance sheet items and/or significant expected foreign currency denominated receipts and payments from trade. The information collected included foreign equity assets, foreign currency denominated debt assets and liabilities, expected future foreign currency receipts and payments from trade, the principal value of outstanding currency derivative contracts and policies on hedging foreign currency exposure.

The survey was conducted by the ABS at the request of, and with the financial support of, the Reserve Bank of Australia (RBA). The survey provides additional information to that available in the International Investment Position, on the mitigating impact of hedging activities on foreign currency exposures.

This survey was first conducted in respect of 30 June 2001, with results released in a special article in the December quarter 2001 issue of *Balance of Payments and International Investment Position* (cat. no. 5302.0). The second occasion on which the survey was conducted was in respect of 31 March 2005 with results published in *Foreign Currency Exposure, Australia, Mar 2005* (cat. no. 5308.0).

ROUNDING

Where figures have been rounded, discrepancies may occur between the sum of component items and the total.



ABBREVIATIONS

- \$b billion (thousand million) dollars
- ABS Australian Bureau of Statistics
- CBAs Central Borrowing Authorities
- RBA Reserve Bank of Australia
- SESCA Standard Economic Sector Classification of Australia

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ANALYSIS AND COMMENTS

FOREIGN CURRENCY EXPOSURE

Table 1

At 31 March 2009, Australian resident enterprises had a net long foreign currency exposure of \$388.1b after taking account of hedging through the use of derivative contracts and natural hedging of foreign currency assets and liabilities. This is an increase of \$170.5b on the 31 March 2005 exposure.

The foreign currency balance sheet exposure at 31 March 2009 was a net long position of \$43.7b, a decrease of \$48.2b on 31 March 2005. Foreign equity assets increased \$113.0b, foreign currency denominated debt assets increased \$212.0b and foreign currency denominated debt liabilities increased \$363.2b.

The foreign currency exposure including expected future foreign currency denominated receipts and payments from trade in goods and services, but before hedging, at 31 March 2009 was a net long position of \$100.6b, an increase of \$4.8b on the 31 March 2005 exposure.

The primary contributors to the increased net exposure after hedging compared with 31 March 2005 were an increase of \$113.0b in foreign equity assets and an increase of \$53.0b in the difference between expected future foreign currency receipts and payments. As discussed below, these financial instruments tend to be hedged only to a limited extent.

Consistent with the 2001 and 2005 surveys, the 2009 survey shows that the net long foreign currency exposure after hedging is greater than the exposure before hedging. As discussed below, this is largely explained by the fact that hedging policies vary across different asset classes.

FOREIGN CURRENCY EXPOSURE BY SECTOR

Table 2

Banks had a net short foreign currency exposure before hedging of \$316.6b, an increase of \$164.1b on the net short position of \$152.5b at 31 March 2005. This is primarily due to a significant increase in foreign currency denominated debt liabilities. After hedging, banks had a net long foreign currency exposure of \$37.9b.

The RBA had a net long foreign currency exposure before hedging of \$43.9b, approximately the same as at 31 March 2005. After hedging, the RBA had a net long foreign currency exposure of \$43.3b, an increase of \$20.9b on the net long position at 31 March 2005.

Other financial corporations had a net long foreign currency exposure before hedging of \$221.3b, an increase of \$107.6b on the net long position of \$113.7b in 2005. After hedging, this was reduced to a net long foreign currency exposure of \$154.0b, an increase of \$55.5b on the net long position of \$98.5b at 31 March 2005.

Central borrowing authorities and general government had a net long foreign currency exposure before hedging of \$6.6b, by comparison with a net short position of \$3.3b at 31 March 2005. After hedging, the foreign currency exposure was reduced to a net long foreign currency position of \$3.1b at 31 March 2009.

Other resident sectors had a net long foreign currency exposure before hedging of \$145.4b, an increase of \$48.8b on the net long position of \$96.6b in 2005. The increase is primarily due to an increase in the difference between expected future receipts and payments from trade reported by this sector. After hedging, the exposure was \$149.8b, an increase of \$51.3b on the net long position of \$98.5b at 31 March 2005.

ANALYSIS AND COMMENTS *continued*

FOREIGN CURRENCY EXPOSURE OF ASSETS AND LIABILITIES BY CURRENCY

Table 3

The United States dollar accounted for \$234.7b of the total foreign equity assets of \$456.7b. This represents 51% of the total compared with 52% at 31 March 2005. The New Zealand dollar, which has been presented explicitly for the first time in this survey, accounted for \$27.7b, or 6% of the total.

The United States dollar accounted for \$263.4b of the total foreign currency denominated debt assets of \$415.7b. This represents 63% of the total compared with 52% at 31 March 2005. The New Zealand dollar accounted for \$29.8b, or 7% of the total.

The United States dollar accounted for \$491.6b of the total foreign currency denominated debt liabilities of \$828.7b. This represents 59% of the total compared with 53% at 31 March 2005. The New Zealand dollar accounted for \$21.4b, or 3% of the total.

DERIVATIVES HEDGING

Table 8

Forward foreign exchange contracts accounted for \$729.9b of the total \$1544.6b of derivative contracts involving the purchase of foreign currencies and the sale of Australian dollars. This represents 47% of the total compared to 61% at 31 March 2005.

Cross currency interest rate swaps accounted for \$621.0b of the total \$1544.6b of derivative contracts involving the purchase of foreign currencies and the sale of Australian dollars. This represents 40% of the total compared to 27% at 31 March 2005.

This indicates a significant switch away from the use of forward foreign exchange contracts in favour of cross currency interest rate swaps.

Forward foreign exchange contracts accounted for \$749.0b of the total \$1257.1b of derivative contracts involving the sale of foreign currencies and the purchase of Australian dollars. This represents 60% of the total compared to 67% at 31 March 2005.

Cross currency interest rate swaps accounted for \$348.8b of the total \$1257.1b of derivative contracts involving the sale of foreign currencies and the purchase of Australian dollars. This represents 28% of the total compared to 18% at 31 March 2005.

Again, this indicates a significant switch away from the use of forward foreign exchange contracts in favour of cross currency interest rate swaps.

Table 2

The difference between derivatives involving the purchase of foreign currencies and the sale of foreign currencies was a net long position of \$287.5b. Reflecting their predominant role as intermediaries in the foreign currency derivatives markets, banks account for 82% of derivatives involving the purchase of foreign currencies and 73% of derivatives involving the sale of foreign currencies.

EXPECTED FUTURE FOREIGN CURRENCY DENOMINATED RECEIPTS AND PAYMENTS FROM TRADE

Table 6

Expected future foreign currency denominated receipts from exports were \$269.2b, while expected future foreign currency denominated payments for imports were \$212.3b. The net foreign currency exposure represented by the difference between receipts and payments was \$56.9b, an increase of \$53.0b on the difference of \$3.9b at 31 March 2005.

The increase in the net foreign currency exposure is partly due to the increased coverage of exporters and importers in the 2009 survey compared with the 2005 survey. Note that the 2009 results have omitted the 'greater than 5 years' time horizon. Refer to paragraphs 2 and 4 of the Explanatory Notes.

ANALYSIS AND COMMENTS *continued*

HEDGING POLICY AND PRACTICE

Survey respondents were asked to provide qualitative information on their approach to hedging foreign currency assets and liabilities with derivatives. These responses, together with discussions undertaken during the editing phase of the survey, indicate that the approach to hedging varies significantly across different financial instruments.

Table 14

Foreign currency debt liabilities are largely hedged, with 65% of reported debt liabilities fully hedged and a further 16% hedged under partial hedging strategies with an average level of hedging of 91%.

Table 12

Foreign currency debt assets have a more modest level of hedging, with 32% of reported debt assets fully hedged. 63% of foreign currency debt assets are reported as having no hedging using derivatives, though there is likely to be a degree of natural hedging of foreign currency debt assets and liabilities. Overseas bond portfolios of funds managers and superannuation funds account for the bulk of foreign currency debt assets that are fully hedged.

Table 10

There is relatively little hedging of foreign direct equity assets, which are generally non-resident branches and subsidiaries of Australian parent companies, or non-resident companies that are part-owned by Australian companies. 70% of direct equity assets are reported as having no hedging using derivatives. 19% are hedged under partial hedging strategies with an average level of hedging of 39%.

Table 11

Foreign portfolio equity assets, which are predominantly the overseas equities portfolios of funds managers and superannuation funds, tend to be partially hedged. 68% of portfolio equity assets are reported as partially hedged with an average level of hedging of 47%, and further 14% are reported as fully hedged.

Tables 13, 15

There is comparatively little hedging of expected future foreign currency receipts and payments from trade in goods and services. Taking into account the average level of hedging under partial hedging strategies only 16% of receipts and 25% of payments either fully hedged or hedged through partial hedging strategies. Discussions with respondents during the editing phase of the survey suggest that near term payments and receipts are more likely to be hedged, with the level of hedging reducing progressively over the time horizon.

SUMMARY

Overall, the reported net exposure of \$388.1b appears largely due to equity assets and net foreign currency receipts that are largely unhedged.

Different hedging policies across different financial instruments also explains why the net exposure after hedging is greater than the net exposure before hedging. The net exposure at an aggregate level reflects a natural hedge between foreign currency assets and liabilities that does not appear to be a prime consideration in hedging decisions at the level of the individual enterprise.

Though not formally tabulated in this survey, it appears that hedging by foreign-owned entities is sometimes managed centrally by the parent company, in which case this is unlikely to involve hedging back into the Australian dollar. Changes in the level of business activities of Australian branches and subsidiaries of non-resident parents may

ANALYSIS AND COMMENTS *continued*

SUMMARY *continued*

therefore have an effect on the measured foreign currency exposure of Australian residents. The same may also be true for Australian resident parent companies that hedge the foreign currency exposure of branches and subsidiaries centrally.

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FOREIGN CURRENCY EXPOSURE AT END OF PERIOD (a)

<i>Instrument</i>	30 June 2001	31 March 2005	31 March 2009
	\$b	\$b	\$b
Foreign equity assets	228.5	343.7	456.7
Foreign currency denominated debt assets	156.5	213.7	415.7
Foreign currency denominated debt liabilities	321.0	465.5	828.7
Net foreign currency balance sheet exposure	64.0	91.9	43.7
Expected future foreign currency denominated receipts from trade	(b) na	92.7	269.2
Expected future foreign currency denominated payments from trade	(b) na	88.8	212.3
Net foreign currency denominated receipts from trade	(b) na	3.9	56.9
Net foreign currency exposure (before hedging)	64.0	95.8	100.6
Principal value of foreign currency derivative contracts bought in exchange for Australian dollars	548.4	1 234.8	1 544.6
Principal value of foreign currency derivative contracts sold in exchange for Australian dollars	463.4	1 113.0	1 257.1
Net foreign currency derivatives exposure	85.0	121.8	287.5
Net foreign currency exposure (after hedging)	149.0	217.6	388.1

na not available

(b) See paragraph 2 of the Explanatory Notes.

(a) Data between periods are not directly comparable due to changes in coverage. See paragraph 4 of the Explanatory Notes.

FOREIGN CURRENCY EXPOSURE BY SECTOR AT 31 MARCH 2009 (a)

<i>Instrument</i>	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
\$b	\$b	\$b	\$b	\$b	\$b	\$b
Foreign equity assets	22.7	—	231.4	13.7	188.9	456.7
Foreign currency denominated debt assets	208.9	43.9	106.0	7.3	49.7	415.7
Foreign currency denominated debt liabilities	548.2	—	117.4	14.2	148.9	828.7
equals						
Net foreign currency balance sheet exposure	-316.6	43.9	220.0	6.7	89.7	43.7
Expected future foreign currency denominated receipts from trade	np	—	np	—	266.4	269.2
Expected future foreign currency denominated payments from trade	np	—	np	0.1	210.7	212.3
Net foreign currency denominated receipts from trade	—	—	1.3	-0.1	55.7	56.9
equals						
Net foreign currency exposure (before hedging)	-316.6	43.9	221.3	6.6	145.4	100.6
Principal value of foreign currency derivative contracts bought in exchange for Australian dollars	1 273.6	0.3	150.5	18.3	101.9	1 544.6
Principal value of foreign currency derivative contracts sold in exchange for Australian dollars	919.1	0.9	217.8	21.8	97.5	1 257.1
Net foreign currency derivatives exposure	354.5	-0.6	-67.3	-3.5	4.4	287.5
equals						
Net foreign currency exposure (after hedging)	37.9	43.3	154.0	3.1	149.8	388.1

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) For sign conventions see paragraph 13 of the Explanatory Notes.

FOREIGN CURRENCY EXPOSURE OF ASSETS AND LIABILITIES BY CURRENCY AT 31 MARCH 2009

<i>Instrument</i>	<i>United States dollar</i>	<i>United Kingdom pound</i>	<i>Japanese yen</i>	<i>Euro</i>	<i>Swiss franc</i>	<i>New Zealand dollar</i>	<i>Other</i>	<i>Total all currencies</i>
	\$b	\$b	\$b	\$b	\$b	\$b	\$b	\$b
Foreign equity assets	234.7	43.1	21.9	45.4	8.4	27.7	75.5	456.7
Foreign currency denominated debt assets	263.4	24.9	17.7	49.5	1.2	29.8	29.3	415.7
Foreign currency denominated debt liabilities	491.6	56.1	68.8	140.5	11.9	21.4	38.4	828.7
<i>equals</i>								
Net foreign currency balance sheet exposure	6.5	11.9	-29.3	-45.7	-2.3	36.1	66.4	43.7

FOREIGN CURRENCY EXPOSURE OF DERIVATIVE CONTRACTS BY CURRENCY AT 31 MARCH
2009 (a)

	<i>United States dollar</i>	<i>United Kingdom pound</i>	<i>Japanese yen</i>	<i>Euro</i>	<i>Swiss franc</i>	<i>New Zealand dollar</i>	<i>Other</i>	<i>Total all currencies</i>
	\$b	\$b	\$b	\$b	\$b	\$b	\$b	\$b
Principal value of foreign currency derivative contracts bought in exchange for Australian dollars	1 233.7	43.8	45.4	131.1	2.3	63.9	24.4	1 544.6
Principal value of foreign currency derivative contracts sold in exchange for Australian dollars	981.0	36.5	33.6	90.5	3.2	87.3	25.0	1 257.1
<i>equals</i>								
Net foreign currency derivatives exposure	252.7	7.3	11.8	40.6	-0.9	-23.4	-0.6	287.5

(a) For sign conventions see paragraph 13 of the Explanatory Notes.

MATURITY OF FOREIGN CURRENCY DEBT ASSETS AND LIABILITIES BY SECTOR AT 31
MARCH 2009 (a)

<i>Product type</i>	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
\$b	\$b	\$b	\$b	\$b	\$b	\$b
Foreign currency denominated debt assets	208.9	43.9	106.0	7.3	49.7	415.7
With a maturity of:						
Less than or equal to 90 days	117.3	17.1	31.5	1.2	22.5	189.6
Greater than 90 days but less than or equal to 6 months	10.0	4.1	8.4	—	3.2	25.7
Greater than 6 months but less than or equal to 1 year	12.9	1.5	4.0	—	0.5	18.9
Greater than 1 year but less than or equal to 5 years	39.8	9.7	28.8	1.1	4.4	83.8
Greater than 5 years	28.9	11.5	33.3	5.0	19.1	97.8
Foreign currency denominated debt liabilities	548.2	—	117.4	14.2	148.9	828.7
With a maturity of:						
Less than or equal to 90 days	197.0	—	42.8	4.9	35.1	279.8
Greater than 90 days but less than or equal to 6 months	52.8	—	10.2	0.5	2.6	66.1
Greater than 6 months but less than or equal to 1 year	31.4	—	4.1	5.3	6.3	47.1
Greater than 1 year but less than or equal to 5 years	126.3	—	29.4	—	50.5	206.2
Greater than 5 years	140.7	—	31.0	3.5	54.4	229.6
Net exposure from foreign currency denominated debt assets and liabilities	-339.3	43.9	-11.5	-6.9	-99.2	-413.0
With a maturity of:						
Less than or equal to 90 days	-79.7	17.1	-11.3	-3.7	-12.6	-90.2
Greater than 90 days but less than or equal to 6 months	-42.8	4.1	-1.8	-0.5	0.6	-40.4
Greater than 6 months but less than or equal to 1 year	-18.5	1.5	-0.1	-5.3	-5.8	-28.2
Greater than 1 year but less than or equal to 5 years	-86.5	9.7	-0.6	1.1	-46.1	-122.4
Greater than 5 years	-111.8	11.5	2.3	1.5	-35.3	-131.8

— nil or rounded to zero (including null cells)

(a) For sign conventions see paragraph 13 of the Explanatory Notes.

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EXPECTED FUTURE FOREIGN CURRENCY RECEIPTS AND PAYMENTS FROM TRADE AT 31 MARCH 2009 (a)(b)

<i>Time horizon over which receipts and payments are expected</i>	<i>Receipts</i>	<i>Payments</i>	<i>Net receipts</i>
	\$b	\$b	\$b
Expected future foreign currency receipts and payments from trade	269.2	212.3	56.9
With a maturity of:			
Less than or equal to 90 days	20.8	21.1	-0.3
Greater than 90 days but less than or equal to 6 months	17.8	15.0	2.8
Greater than 6 months but less than or equal to 1 year	30.3	25.7	4.6
Greater than 1 year but less than or equal to 5 years	200.3	150.5	49.8

- (a) For sign conventions see paragraph 13 of the Explanatory Notes.
- (b) For more information about the quality of these estimates see paragraph 11 of the Explanatory Notes.

TYPE OF DERIVATIVE CONTRACTS BY SECTOR AT 31 MARCH 2009

<i>Product type</i>	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Principal value of foreign currency derivative contracts bought in exchange for Australian dollars						
Forward foreign exchange	571.0	0.3	86.4	1.8	60.4	729.9
Cross currency interest rate swaps	521.6	—	60.4	6.4	32.6	621.0
Futures	96.8	—	1.2	—	0.5	98.5
Currency options	42.2	—	0.3	—	6.9	49.4
Other	42.1	—	2.1	—	1.6	45.8
Principal value of foreign currency derivative contracts sold in exchange for Australian dollars						
Forward foreign exchange	444.2	0.9	197.6	21.8	84.5	749.0
Cross currency interest rate swaps	323.6	—	16.8	—	8.4	348.8
Futures	96.2	—	1.2	—	—	97.4
Currency options	39.1	—	1.2	—	4.3	44.6
Other	16.0	—	1.0	—	0.3	17.3
Principal value of foreign currency derivative contracts not involving Australian dollars						
	1 079.7	1.4	49.3	0.8	6.9	1 138.1

— nil or rounded to zero (including null cells)

TYPE OF DERIVATIVE CONTRACTS BY CURRENCY AT 31 MARCH 2009

<i>Product type</i>	<i>United States dollar</i>	<i>United Kingdom pound</i>	<i>Japanese yen</i>	<i>Euro</i>	<i>Swiss franc</i>	<i>New Zealand dollar</i>	<i>Other</i>	<i>Total all currencies</i>
	\$b	\$b	\$b	\$b	\$b	\$b	\$b	\$b
Principal value of foreign currency derivative contracts bought in exchange for Australian dollars								
Forward foreign exchange	628.0	22.8	21.6	35.0	1.2	11.1	10.2	729.9
Cross currency interest rate swaps	492.0	13.5	15.1	73.6	—	19.0	7.8	621.0
Futures	38.3	4.0	4.5	20.4	—	30.8	0.5	98.5
Currency options	38.3	0.4	4.2	1.8	1.1	2.0	1.6	49.4
Other	37.1	3.2	—	0.2	—	1.0	4.3	45.8
Principal value of foreign currency derivative contracts sold in exchange for Australian dollars								
Forward foreign exchange	593.9	28.6	19.9	50.4	2.9	37.4	15.9	749.0
Cross currency interest rate swaps	300.2	4.4	7.1	18.0	0.3	15.3	3.5	348.8
Futures	35.7	2.9	4.6	20.3	—	33.9	—	97.4
Currency options	37.7	0.3	2.0	1.6	—	0.3	2.7	44.6
Other	13.5	0.3	—	0.1	—	0.5	2.9	17.3
Principal value of foreign currency derivative contracts not involving Australian dollars								
	539.1	77.1	110.5	149.1	9.2	168.5	84.6	1 138.1

— nil or rounded to zero (including null cells)

VALUE OF DERIVATIVE CONTRACTS BY MATURITY AND SECTOR AT 31 MARCH 2009

<i>Product type</i>	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Principal value of foreign currency derivative contracts bought in exchange for Australian dollars	1 273.6	0.3	150.5	18.3	101.9	1 544.6
With a maturity of:						
Less than or equal to 90 days	544.4	0.3	80.5	10.4	46.2	681.8
Greater than 90 days but less than or equal to 6 months	225.0	—	8.1	1.6	6.0	240.7
Greater than 6 months but less than or equal to 1 year	120.0	—	3.4	0.3	8.2	131.9
Greater than 1 year but less than or equal to 5 years	267.1	—	32.1	2.6	27.7	329.5
Greater than 5 years	117.2	—	26.4	3.3	13.8	160.7
Principal value of foreign currency derivative contracts sold in exchange for Australian dollars	919.1	0.9	217.8	21.8	97.5	1 257.1
With a maturity of:						
Less than or equal to 90 days	435.8	0.9	169.9	1.1	59.9	667.5
Greater than 90 days but less than or equal to 6 months	143.8	—	15.6	np	np	181.9
Greater than 6 months but less than or equal to 1 year	82.2	—	7.5	np	np	99.1
Greater than 1 year but less than or equal to 5 years	176.3	—	22.2	4.4	21.6	224.4
Greater than 5 years	81.0	—	2.7	np	np	84.2
Principal value of foreign currency derivative contracts not involving Australian dollars	1 079.7	1.4	49.3	0.8	6.9	1 138.1
With a maturity of:						
Less than or equal to 90 days	660.8	1.4	43.3	0.8	2.0	708.3
Greater than 90 days but less than or equal to 6 months	160.8	—	2.5	—	1.3	164.6
Greater than 6 months but less than or equal to 1 year	95.8	—	2.9	—	1.0	99.7
Greater than 1 year but less than or equal to 5 years	105.8	—	0.6	—	2.2	108.6
Greater than 5 years	56.5	—	—	—	0.4	56.9

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Usual or benchmark level of hedging						
No hedging	17.3	—	8.9	—	151.6	177.8
Full hedge	np	—	np	—	4.0	9.8
Partial hedge	—	—	32.9	—	16.0	48.9
No set benchmark	np	—	np	—	13.2	15.9
Total	20.8	—	46.8	—	184.8	252.4
Average level of hedging if partial is used (%) (a)	—	—	38.5	—	40.0	39.0
Aggregate exposure managed by varying the level of exposure around the benchmark	np	—	8.3	—	np	16.9

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Weighted mean of percentage hedge across all those who use partial hedge applied to value of exposure.

	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Usual or benchmark level of hedging						
No hedging	—	—	26.6	—	4.1	30.7
Full hedge	1.9	—	27.0	—	—	28.9
Partial hedge	—	—	125.4	13.7	—	139.1
No set benchmark	—	—	5.6	—	—	5.6
Total	1.9	—	184.6	13.7	4.1	204.3
Average level of hedging if partial is used (%) (a)	—	—	44.0	75.0	—	47.0
Aggregate exposure managed by varying the level of exposure around the benchmark	—	—	136.6	13.7	—	150.3
— nil or rounded to zero (including null cells)				(a) Weighted mean of percentage hedge across all those who use partial hedge applied to value of exposure.		

	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Usual or benchmark level of hedging						
No hedging	108.4	43.9	66.4	0.7	43.0	262.4
Full hedge	90.6	—	34.3	6.6	3.2	134.7
Partial hedge	3.2	—	2.4	—	1.8	7.4
No set benchmark	6.7	—	2.9	—	1.7	11.3
Total	208.9	43.9	106.0	7.3	49.7	415.7
Average level of hedging if partial is used (%) (a)	np	—	32.2	—	np	61.8
Aggregate exposure managed by varying the level of exposure around the benchmark	np	—	8.9	6.5	np	87.7

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Weighted mean of percentage hedge across all those who use partial hedge applied to value of exposure.

	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Usual or benchmark level of hedging						
No hedging	0.2	—	2.6	—	193.2	196.0
Full hedge	—	—	—	—	4.8	4.8
Partial hedge	—	—	—	—	60.8	60.8
No set benchmark	—	—	—	—	7.6	7.6
Total	0.2	—	2.6	—	266.4	269.2
Average level of hedging if partial is used (%) (a)	—	—	50.0	—	61.3	61.3
Aggregate exposure managed by varying the level of exposure around the benchmark	—	—	—	—	79.7	79.7

— nil or rounded to zero (including null cells)

(a) Weighted mean of percentage hedge across all those who use partial hedge applied to value of exposure.

	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Usual or benchmark level of hedging						
No hedging	28.8	—	35.3	0.2	53.6	117.9
Full hedge	381.8	—	74.4	12.6	71.1	539.9
Partial hedge	111.3	—	6.5	—	15.5	133.3
No set benchmark	26.3	—	1.2	—	10.1	37.6
Total	548.2	—	117.4	12.8	150.3	828.7
Average level of hedging if partial is used (%) (a)	np	—	np	—	64.4	91.1
Aggregate exposure managed by varying the level of exposure around the benchmark	184.0	—	3.3	—	11.4	198.7

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Weighted mean of percentage hedge across all those who use partial hedge applied to value of exposure.

	<i>Banks</i>	<i>RBA</i>	<i>Other financial corporations</i>	<i>Central borrowing authorities & general government</i>	<i>Other resident sectors</i>	<i>Total all sectors</i>
	\$b	\$b	\$b	\$b	\$b	\$b
Usual or benchmark level of hedging						
No hedging	0.2	—	1.3	0.1	137.4	139.0
Full hedge	—	—	—	—	4.7	4.7
Partial hedge	—	—	—	—	63.4	63.4
No set benchmark	—	—	—	—	5.3	5.3
Total	0.2	—	1.3	0.1	210.8	212.3
Average level of hedging if partial is used (%) (a)	—	—	—	—	76.7	76.7
Aggregate exposure managed by varying the level of exposure around the benchmark	—	—	—	—	66.0	66.0

— nil or rounded to zero (including null cells)

(a) Weighted mean of percentage hedge across all those who use partial hedge applied to value of exposure.

EXPLANATORY NOTES

- INTRODUCTION**
- 1** This publication presents results in respect of 31 March 2009, from an ABS survey of Australian resident enterprises with exposure to foreign currency. This is the third occasion this survey has been conducted; the first was conducted in respect of 30 June 2001 as a supplementary survey to the Survey of International Investment, with results published in the December quarter 2001 issue of *Balance of Payments and International Investment Position* (cat. no. 5302.0). The second was conducted in respect of 31 March 2005 with results published in *Foreign Currency Exposure, Australia, Mar 2005* (cat. no. 5308.0).
- SCOPE**
- 2** The scope of the survey was all Australian resident enterprises with significant foreign currency exposure through foreign currency denominated balance sheet positions and/or expected future foreign currency receipts and payments from trade of goods and services. This included government and private institutions, primarily financial corporations, importers and exporters. Expected future foreign currency receipts and payments from trade are included in the results for 31 March 2005 and 31 March 2009 but not for 30 June 2001. In addition, the results for 31 March 2009 exclude expected future foreign currency receipts and payments from trade in the 'greater than 5 years' time horizon. These data would distort the analysis because of the greater uncertainty surrounding these estimates and bias introduced by smaller businesses having greater difficulty reporting this information.
- COVERAGE**
- 3** The survey population was designed to include those enterprises that cover in excess of approximately 90 per cent of foreign currency exposure for assets and liabilities, and was supplemented with a sample of importers and exporters with significant foreign currency denominated trade in goods and/or services.
- COVERAGE CHANGES**
- 4** The coverage of importers and exporters for this survey was increased compared to the 2005 survey, with the total number of enterprises in the survey increasing from 538 in the 2005 survey to 823 in the 2009 survey. This results in estimates of expected future currency payments and receipts for 2009 not being directly comparable with estimates for 2001 and 2005.
- INSTITUTIONAL SECTORS AND SUBSECTORS**
- 5** The institutional sectors are based on the *Standard Economic Sector Classifications of Australia 2008* (SESCA) (cat. no. 1218.0) and are the same as the sectors used in national income and expenditure accounts.
- 6** The basic unit that is classified by sector is the institutional unit, which is defined as an economic entity that is capable, in its own right, of incurring liabilities and engaging in economic activities and transactions with other entities.
- STATISTICAL UNIT**
- 7** The unit for which statistics were reported in the survey was the Australian enterprise unit. This consists of all the entities within an Australian enterprise group that are in the same SESCO subsector.
- REFERENCE PERIOD**
- 8** Data contained in this publication relate to foreign currency denominated financial positions (balance sheet) and expected future foreign currency receipts and payments from trade collected from selected enterprises as at 31 March 2009. Summary data from the previous surveys are also included.
- ACCURACY AND RELIABILITY**
- 9** Care should be exercised in the use and interpretation of data in this publication. While every effort is made to ensure the accuracy and reliability of data it is still possible that the variability within data can be significant.
- 10** Responses were received from 92% of the surveyed enterprises.

EXPLANATORY NOTES *continued*

ACCURACY AND RELIABILITY

continued

11 Some estimation has been undertaken to ensure comparability of expected future receipts (from export of goods and services) with expected future payments (for import of goods and services). The data was benchmarked to foreign currency receipts and payments for the year to September 2008, and expected future payments increased by a factor that reflected the extent to which the surveyed units accounted for a smaller proportion of benchmarked payments than benchmarked receipts.

ROUNDING

12 Where figures have been rounded, a discrepancy may occur between the sum of the component items and the total. Published percentages are calculated prior to rounding of figures and therefore a discrepancy may occur between the published percentages and percentages which could be calculated using the published estimates.

SIGN CONVENTION

13 Contrary to the balance of payments conventions, this publication uses the natural sign convention in the presentation of data, analysis and associated commentary.

CURRENCY CONVERSION

14 Data are expressed in Australian dollars. Amounts denominated in a foreign currency are converted to Australian currency at the market exchange rate at the reference date.

VALUATION BASIS

15 In these statistics all asset and liability positions are valued at market prices.

16 The principal value is reported for all financial derivative currency contracts. The principal of a derivative contract is the underlying notional amount upon which the transaction is based.

FURTHER INFORMATION

17 A wide range of analyses are possible with the data collected. The following additional tables are available from the downloads tab of this publication on the ABS web site (www.abs.gov.au):

- Table 16 - Foreign currency exposure of assets and liabilities by currency by resident versus non-resident counterparties at 31 March 2009
- Table 17 - Derivative contracts by currency by resident versus non-resident counterparties at 31 March 2009
- Tables 18 to 23 - Determinants of hedging strategy, by financial instrument.

ACKNOWLEDGEMENT

18 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is much appreciated; without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

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